



**U.S. Department of Justice**

*United States Attorney  
Eastern District of New York*

CAO  
F.#2012R00103

*271 Cadman Plaza East  
Brooklyn, New York 11201*

August 25, 2015

**BY HAND DELIVERY AND ECF**

The Honorable Raymond J. Dearie  
United States District Judge  
Eastern District of New York  
225 Cadman Plaza East  
Brooklyn, New York 11201

Re: United States v. Vitaly Korchevsky et al.,  
Criminal Docket No. 15-381 (RJD)

Dear Judge Dearie:

The government respectfully submits this letter memorandum in further support of its request for a permanent order of detention for defendant Vitaly Korchevsky. On August 5, 2015, a grand jury in the Eastern District of New York returned an indictment charging the defendants with conspiring to commit wire fraud; conspiring to commit securities fraud; two counts of substantive securities fraud; and conspiring to commit money laundering. The court has scheduled an August 26, 2015 detention hearing.

Korchevsky has proposed the following bond: (1) approximately \$340,000 in equity from his personal home; (2) approximately \$340,000 in equity from the personal home of his mother-in-law; and (3) the signature of 9 sureties (including his wife and mother-in-law). Counsel for Korchevsky has also indicated that certain other cash surety (from Korchevsky's brother) and home restrictions may be appropriate and available. To his credit, Korchevsky has presented these terms early to the government. However, there are several specific problems with the proposed bond.

First, the amount of the real property security (\$680,000 in equity, approximately \$1.1 million in total value) provides woefully inadequate security in this case. As described more fully in the government's August 11, 2015 detention memorandum, the defendant was the linchpin of a sprawling financial and hacking conspiracy that spread 2 continents and affected markets throughout the world. Korchevsky provided the financial sophistication to a hacking scheme that sought the strike at the vulnerable information nodes of some of the most respected securities in the world. This is a crime that has shaken securities

issuers throughout the world. Korchevsky himself made approximately \$17 million in profits during the scheme, which fraudulently extracted approximately \$100 million from the markets. Korchevsky openly describes himself and his wife as “world travelers,” which ably summarizes their extensive foreign ties. However, more troubling even than those frequent travels are the fact that Korchevsky has maintained extensive ties with the hacking community. This community (some of whom remain at large) openly bragged about their ability to obtain and use stolen identification and credentials. Korchevsky’s expertise has made these hackers millions of dollars. Therefore, the government respectfully requests that the Court enter an order of detention for the defendant.

Second, there are distinct problems with the two proposed properties. While neither properties were restrained, the government’s investigation has revealed that the proceeds of the charged hacking and financial fraud went to pay for some portion of both proposed properties. At present, the government is exploring whether to restrain those properties in addition to the 9 properties already listed in the indictment. In any case, the government submits that these properties do not provide appropriate security in a case of this type and magnitude.

Third, it appears that Korchevsky has not fully disclosed his assets to the pretrial services officers. In addition to his home, Korchevsky owns 9 real properties (8 in Pennsylvania and 1 in Georgia). Those properties account for approximately \$5 million of the \$17 million in profits that Korchevsky earned in this scheme. The government restrained approximately \$5 million in bank and brokerage accounts on the day of Korchevsky’s arrest. These assets are not described in the draft pretrial services report that the government has seen. On the remaining \$7 million in profits, Korchevsky appears to have given generously to the Slavic Baptist church. The government notes that a notable portion of Korchevsky’s community support flows from his involvement and largesse in connection with that church. Even those religious ties are infected by Korchevsky’s crimes.

Finally, the government wants to emphasize the sophistication of the defendant. Vitaly Korchevsky, is a naturalized United States citizen who has profited more than \$17 million from this illegal scheme. He retains broad family connections to the Ukraine, where he was born and educated. Korchevsky coordinated the use of dozens of brokerage and bank accounts throughout the United States and abroad. This speaks to Korchevsky’s financial sophistication. Korchevsky has held numerous positions in the financial industry and was formerly a hedge fund manager and investment advisor who was registered with the Securities and Exchange Commission (“SEC”) from 2005 through 2009. Korchevsky was a Senior Vice President at Investment Counselors of Maryland, a boutique investment firm; a Principal and Portfolio Manager at Victus/Vicis Capital; and a Vice President and Mutual Fund Manager at Gardner Lewis Asset Management, a money management fund that was purchased by Morgan Stanley. Thereafter, Korchevsky served as a vice president at Morgan Stanley. The government submits that a defendant with this training and resources; involved with a crime of staggering complexity and seriousness; and who enjoys such “world traveler” ties to an

international hacking scheme should be detained unless he can supply a much, much more significant bail package.

For these reasons, the government requests that the Court issue a permanent order of detention for the defendant without prejudice to revisit the issue at a later date.

Respectfully submitted,

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cc: Steven Brill, Esq. (by Email and ECF)  
Clerk of the Court (by ECF)  
The Honorable Ramon E. Reyes, Jr. (by ECF)